British Columbia Innovation Council

2015/16 – 2017/18
SERVICE PLAN

For more information on the British Columbia Innovation Council contact:

9th floor - 1188 West Georgia Street
Vancouver, BC V6E 4A2

Phone: 604-683-2724
Toll free: 1-800-665-7222
Fax: 604-683-6567

info@bcic.ca

or visit our website at
www.bcic.ca

Accountability Statement

The 2015/2016 - 2017/2018 BCIC Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with Government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

To the best of our knowledge, the significant assumptions, policy decisions, events and identified risks are current and have been considered in preparing this plan. The performance measures presented are consistent with BCIC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCIC's operating environment, forecast conditions, risk assessment and past performance.

Derek Lew, Board Chair
BC Innovation Council

Table of Contents

Accountability Statement **3**

Strategic Direction and Context **5**

Performance Plan **6**

Financial Plan **10**

Summary Financial Outlook 10

Appendices **12**

Appendix A: Hyperlinks to Additional Information 12

Appendix B: Top On-Going Risks for BCIC Operations and Programs 13

Strategic Direction and Context

Strategic Direction

The British Columbia Innovation Council (BCIC) is our province's lead agency promoting the development and application of advanced or innovative technologies to meet the needs of industry in BC. Our purpose is aligned with that of the BC Jobs Plan and our operations adhere to the Taxpayer Accountability Principles. We see job creation and increased investment in the technology sector as measures of our effectiveness. We develop and implement initiatives that directly support the successful commercialization of technology businesses.

As outlined in BCIC's 2015/16 Mandate Letter, we will continue to work in partnership with Government on the full implementation of the approved recommendations of our Mandate Review and will refine and implement outcome-based metrics including measures of job creation and investment. This includes building and maintaining partnerships and diversifying programming in order to strengthen entrepreneurship development in the BC Jobs Plan's priority sectors and to support regional expansion.

Operating Environment

BC's technology industry employs more people than mining, forestry, and oil and gas combined. The average annual salary in the sector is $75,000, 60 per cent more than the BC average. In 2014, Microsoft and Amazon joined international giants like Facebook, Ericsson, IBM, Intel, Samsung, and Cisco in opening offices in BC. Our high standard of living, Pacific location, and educated workforce make us an attractive centre for technology entrepreneurs. As companies grow and succeed here, BC's talent pool and management expertise grows.

The potential development of the energy sector in BC's North offers opportunities and it is vital BCIC continue to deliver relevant commercialization programs that support these industries. Similarly, there is a need to bring technology innovations to traditional industries including forestry, mining, oil and gas, and agrifoods, as well as clean energy, health and life sciences, digital media, information and communication technologies. By scaling our programs to meet the growing needs of the market, we enhance the entrepreneurial community and encourage the commercialization of technology.

A skilled labour force is required to support the growing technology sector and youth need to be engaged in high-tech courses and science literacy that will give them the skills to advance.

A significant issue is access to capital for small and mid-sized technology companies. Viable new businesses are finding it relatively easy to find individual investors, or 'angels', but this initial support needs to extend beyond the early stages of a company's growth.

BCIC operates with support from its primary funder, the Ministry of Technology, Innovation and Citizens' Services. BC's innovation economy is a long-term opportunity and requires partners at all levels of government, institutions, and the private sector to remain committed. For BCIC's on-going risks and mitigation plans see Appendix B. No significant shifts in operations are expected.

Performance Plan
Goals, Strategies, Measures and Targets

Three goals guide our actions:

1. Commercializing innovative technology.
2. Developing and enhancing entrepreneurial skills.
3. Focusing resources on entrepreneurs who will build their companies in BC.

Together these goals provide a strong foundation for meeting our legislated mandate and supporting Government's priorities. Each goal is supported by strategies, performance measures, and targets.

While BCIC works to achieve the above goals, we are committed to transparency and accountability in the management of BCIC's budget and activities. BCIC adheres to the Taxpayer Accountability Principles and operates under established Standards of Conduct.

BCIC's strategic engagement plan, for the Taxpayer Accountability Principles and the Standards of Conduct, ensures that acceptance is documented for the BCIC Board, executive team and staff and is embedded in BCIC's recruitment process for both new Board members and staff.

As well, BCIC's Board Chair and CEO participate in regular meetings with the Minister and Deputy Minister of Technology, Innovation and Citizens' Services to focus on performance against the Taxpayer Accountability Principles, results and strategic decision-making.

Goal 1: Commercializing Innovative Technology.

Commercialization is an entrepreneurial activity that takes a technology or intellectual property and creates a business around it. BCIC's goal of facilitating the commercialization of innovative technology is supported by its network of acceleration programs, programs that develop entrepreneurial talent at the post-secondary level, and support of events that increase the number of entrepreneurs and new business opportunities across BC.

Strategies

- Build a network of venture acceleration programs.
- Facilitate post-secondary programs to support entrepreneurial talent development.
- Sponsor and promote appropriate conferences, competitions and events.

- Facilitate the introduction of BC-based companies with potential partners and actively identify opportunities that expand the scope of engagement and commercial opportunities.

Performance Measure 1: Patent-protected innovations and trade secrets.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
The percentage of ventures in BCIC-funded programs with patent protection for their innovations or a structured approach to maintaining trade secrecy.	42%	30%	30%	35%	35%

Data Source: Progress reports from program partners.

Discussion

BCIC supports programs and initiatives that help innovative technologies reach the market. A patent demonstrates the innovative nature of a startup's technology. Trade secrets are also an effective way of shielding intellectual property. A product based on a novel technology tends to have a stronger chance of competing against established players because it can offer differentiated value to customers. Companies with patented intellectual property are better able to defend their innovation when they become successful in the market. By encouraging the use of patents and trade secrets, BCIC's programs will improve the growth rate and survivability of small and medium-sized businesses located in BC.

The target represents a goal to achieve a high level of patent protection. 2013/14 was the first year this performance measure was tracked. Since then, BCIC has determined that a target of 30 to 35% would be an indicator of success for the program because not all entrepreneurs need to secure such protection. Some ventures may still be at the early idea stage and not yet ready to file a patent. Other ventures in the information and communication technology field (including digital media and software as a service) often do not file patent protection or register trade secrets because copyright already exists for their source code. In 2013/2014, over 65% of companies in BCIC-funded programs were in the digital media and software as a service field.

Goal 2: Developing and Enhancing Entrepreneurial Skills.

BCIC works with its program partners to help British Columbians become successful entrepreneurs.

Strategies

- Provide relevant training to support early-stage entrepreneurs to commercialize concepts.
- Partner with educational institutions and industry organizations to provide relevant knowledge and training for emerging entrepreneurs.

Performance Measure 2.1: Health score of ventures in BC Acceleration Network.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
The overall level to which BCIC clients have a solid business foundation for the success of their companies.[1]	56	60	65	70	70

Data Source: Progress reports from program partners.

[1] This measure presents an overall score out of a possible 100 points. The score is determined by a set of indicators identifed by BCIC as important elements for a venture to progress.

Discussion

BCIC activities support job creation in BC. To do so, it is essential that startup companies in BCIC-funded programs progress from early-stage ventures to larger mature companies with job opportunities. The BCIC health score reflects the level to which startup companies in BCIC-funded programs are on track to progress into companies that will experience job growth. The measure is designed so that the higher a venture's health score, the greater its likelihood of commercial success.

Increasingly higher targets (to 70 in 2016/17) have been set for this measure vs. the baseline which was established in 2012/13 by evaluating approximately 75 early-stage ventures enrolled in BCIC programs.

Performance Measure 2.2: Participant evaluation of the effectiveness of BCIC's programs and services.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
The percentage of participants in BCIC-funded programs who confirm BCIC's programs have a high value impact in advancing their technology venture.[1]	88%	90%	90%	90%	90%

Data Source: Progress reports from program partners.

[1] This measure is based on sample surveys where high impact value is defined as a value of 7 or more on a 10-point evaluation scale.

Discussion

Confirmation from entrepreneurs that BCIC-funded programs enable their ventures to progress adds perspective to how BCIC measures progress. Our goal is to support programs that provide high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technologies. Evaluation results enable us to assess how well we are delivering on our mission. Reports from the participants in BCIC-supported programs and services help to shape, refine and improve our offerings and position BCIC as an integral component to the growth and success of our client companies.

Performance targets are based on similar past BCIC surveys. BCIC aims to deliver high value to 90% of ventures in 2014/15, and beyond this, to continue to maintain this high level of effectiveness.

Goal 3: Focusing Resources on Entrepreneurs who will Build their Companies in BC.

BCIC invests in opportunities for startup companies who will build their companies in our province.

Strategies

- Work with program partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in BC.

Performance Measure 3: Entrepreneurs who can build a successful venture based in BC.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
The percentage of participants in BCIC-funded programs who are assessed as being able to be successful in their venture without needing to leave BC to do so.[1]	99%	90%	90%	90%	90%

Data Source: Progress reports from program partners.

[1] This measure is based on the experience and knowledge of executives-in-residence and mentors who evaluate the opportunities they are supporting.

Discussion

Entrepreneurs with early stage innovative concepts and business ventures are highly mobile. For many, it is tempting to move to new locations outside of BC to be near their key customers, suppliers, or financiers. Of the three prime relationships, the most compelling is that with customers, who are the ultimate source of value in an entrepreneurial venture. BCIC assesses the likelihood that a venture will stay in BC to avoid committing taxpayer resources to ventures that are destined to create jobs elsewhere.

In 2013/14, results for this measure exceeded the target of 80% by a large degree – ultimately reaching 99%. This high number is a testament to the fact that BC is well equipped with the infrastructure and resources to facilitate success for innovative companies. At the same time, even with effective targeting of ventures that can be successful without leaving the province, it is conceivable some ventures in the program will need to exit BC to be successful. Thus, a realistic target of 90% has been established.

Financial Plan
Summary Financial Outlook

(In $ thousands)	Actual 2013/2014	Budget 2014/2015	Forecast 2015/2016	Forecast 2016/2017	Forecast 2017/2018
Revenue					
Province of British Columbia	6,090	6,090	6,090	6,090	6,090
Program Revenues (1)	2,372	207	277	256	129
NRAS Endowment (4)	10	1,000	1,000	1,000	1,000
Interest & Other	154	125	125	125	125
Total Revenue	8,626	7,422	7,492	7,471	7,344
Expenses					
Programs and Initiatives (2)	6,843	4,435	4,232	4,386	4,372
NRAS Endowment (4)	10	1,000	1,000	1,000	1,000
Salaries and Benefits	1,124	1,425	1,484	1,439	1,384
Rent	229	251	260	261	297
Amortization	32	32	36	37	33
Other Operating Costs (3)	388	279	480	348	258
Total Expenses	8,626	7,422	7,492	7,471	7,344
Net Income	0	0	0	0	0
Accumulated Surplus (4)	56,450	56,450	56,450	56,450	56,450
Capital Expenditures (5)	36	50	100	50	50

Notes:

Note 1: Program Revenues represent amounts drawn from deferred program revenues.

Note 2: Programs and initiatives represent payments made to develop and support academic and commercialization programs that align with BCIC's mandate, such as the BC Acceleration Network.

Note 3: Other operating costs include legal and contracted services, meetings, travel & networking and office expenses.

Note 4: Accumulated Surplus includes $50 million of a Natural Resources and Applied Science Research (NRAS) Endowment Fund capital.

Note 5: Capital Expenditures for 2015/16 includes costs of BCIC office relocation.

Note 6: The above financial information, including forecast information, was prepared based on current Public Sector Accounting Standard (PSAB), which was adopted on April 1, 2010.

In fiscal year 2005/2006, the Council was charged with stewarding an endowment contribution of $50,000,000 from the Ministry of Economic Development. Investment earnings are restricted for the support of training, research and development in natural resources and applied sciences.

(In $ thousands)	Actual 2013/2014	Budget 2014/2015	Forecast 2015/2016	Forecast 2016/2017	Forecast 2017/2018
NRAS Endowment Fund	50,000	50,000	50,000	50,000	50,000
Interest Accumulated, beginning	1,460	2,426	2,426	2,426	2,426
Annual Investment income	976	1,000	1,000	1,000	1,000
Program & administrative expenditures	(10)	(1,000)	(1,000)	(1,000)	(1,000)
Forecast Interest Balance	2,426	2,426	2,426	2,426	2,426

Key Forecast Assumptions

- The forecast revenues are presented under current government financial requirement guidelines. Provincial funding is anticipated to remain consistent over the next three years. The funding for BCIC is reviewed annually through the budget process.
- The forecast assumes that BCIC will hold the remaining $6.2 million Leading Edge Endowment Fund (LEEF) funds in its reserve pending direction from the Treasury Board.
- Interest earned on investments is forecast to remain stable over the next three years.
- BCIC budgeted $425,000 of its annual provincial funding to support the operation of the Premier's Technology Council (PTC).
- The forecast assumes that the staffing level will remain stable in the following two years after fiscal year 2014-2015.
- BCIC has signed a new office lease agreement, effective December 1, 2014, expiring on January 31, 2020.

Sensitivity Analysis

If there are further changes to the level of funding BCIC receives from the Ministry of Technology, Innovation and Citizens' Services, BCIC's ability to leverage Ministry funds to finance projects, programs and initiatives from other sources may be affected. Such sources may include various organizations within the federal and provincial governments as well as private, public and not-for-profit science and technology organizations. Revenues from all program funders depend on those funders' activities and plans.

Management Perspective on Future Financial Outlook

- BCIC's programs will be primarily funded by the core funding from the Province. BCIC will align its funding in programs that meet its mandate. BCIC will work with all the regional partners, UILOs and various organizations across the province to develop and deliver programs that accelerate the commercialization of technology and development of entrepreneurs.
- BCIC will only have limited access to its "surplus" funds (funds accumulated from past years that were not spent and have been directed to future programs). Therefore, the funds that are restricted have not been budgeted for in BCIC's forecasts; however, if economic conditions improve, the use of these funds can be reviewed in future years.
- Interest returns on investments remain low under the current economy, and it is unlikely that the interest rates will change significantly over the next three years.

Appendix A:

Hyperlinks to Additional Information

Corporate Governance

- Role and membership list of the Board of Directors
- Board Committees and Members
- Names and job titles of senior management
- Governance principles
- Significant reporting relationships

Organizational Overview

- Enabling statute
- Mandate provided in enabling statute
- Vision and values
- Business areas
- Benefit BCIC provides the public
- Principle partners, clients and stakeholders
- Program delivery
- Location

Appendix B:

Top On-Going Risks for BCIC Operations and Programs

Issues, Risks, and Potential Impacts	Mitigating Strategies
• The programs that BCIC funds are designed to lower the risk that a new entrepreneurial venture will fail. It is possible that these programs will not actually improve outcomes, despite the quality and care taken in their design and delivery.	• BCIC uses course materials developed for entrepreneurial education. BCIC programs are customized for the BC context by local organizations like ACETECH, the Association of Technology CEOs. It is also recognized that some ventures will fail, and their founders will be successful with future ventures, drawing on their experience and learning.
• The regional and educational partners are independent not-for-profit organizations governed by their own boards and management teams. Many have revenue streams from sources other than BCIC. It is a significant operational risk that economic forces in their region or strategic changes within their governance structure might cause them to decline to continue delivering BCIC's programs.	• The program delivery and support burden is divided among several partners at all times, ensuring that if one partner drops out, others can quickly develop capacity to replace them. BCIC provides funding to organizations based on proposals for programs that meet our mandate. We solicit proposals first from existing funded partners. If they cannot meet our requirements, we may use a competitive Request for Proposal process. BCIC requires BC Acceleration Network partners to develop sustainability plans to address future funding issues, which may include less financial support from BCIC.